

THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
Meeting Notes
February 14, 2018

Present:

Treasurer Young Boozer, Chair
Mr. Marc Green for Dr. David Bronner
Mr. Robert Bradley
Mr. Clinton Carter
Gen. Paul Hankins
Ms. Maria Campbell

Absent:

Rep. Bill Poole
Sen. Trip Pittman
Mr. Sandy Hammer
Mr. Jimmy Baker
Ms. Michelle Granberry
Mr. Mark Sullivan
Dr. James Purcell
Dr. Ken Tucker
Ms. Patti Lambert

Others present include:

Ms. Daria Story, Assistant Treasurer
Ms. Anita Kelley, Program Director
Mr. Dan Sherman, Sherman Actuarial Services (by phone)
Ms. Adrian Hughes, Regions
Mr. Larry Ransburgh, Regions
Ms. Lee Ann Herron, Regions
Ms. Diane Steinhilber, Jackson Thornton

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the Board Room of the RSA Headquarters on February 14, 2018. The meeting was called to order by Chair Young Boozer at 1:10 p.m.

Roll was taken without a quorum present.

Chair Boozer presented the minutes of the November 8, 2017 board meeting. The minutes will be presented for approval at the next board meeting.

Chair Boozer asked Anita Kelley for a program report. Ms. Kelley provided information on program activities, cancellations and plan assets. She stated that the contract with Libera, Inc. was signed on 12/21/2017 and that calls are being held weekly between PACT staff and Libera and bi monthly between PACT staff and HDI concerning the transition. She presented the budget vs expenditures report. She discussed fall tuition payments and stated the program paid out benefits in the amount of \$20,908,769 to 6058 students from September 1 through December 31. A transfer from the Education

Trust Fund in the amount of \$17,783,000 was received on 10/06/2017. The report was received as informational.

Chair Boozer called on Adrian Hughes with Regions to present the quarterly investment report. She discussed the performance of the portfolio versus the benchmark and said the portfolio earned .01% for the quarter and 1.50% for the year and outperformed the benchmark by .22% and .66% respectively. Ms. Hughes also discussed quarter end balances and presented an economic and financial market update. The report was received as informational.

Chair Boozer called on Dan Sherman with Sherman Actuarial Services to present the quarterly actuarial report. He stated the asset value as of 12/31/2017 was \$87,174,118. Mr. Sherman provided a summary of funding and compared the 12/31/2017 assets and liabilities to the 9/30/2017 numbers and noted the funded ratio was 118.5% compared to the 9/30/2017 of 115.5%. He also reviewed a spreadsheet of the projected cash flows, assets and liabilities through year 2032. The report was received as informational.

Chair Boozer called on Diane Steinhilber with Jackson Thornton to present the annual audit report for the 2017 fiscal year. Ms. Steinhilber provided a summary of the independent auditor's report that included the management's responsibility for the financial statements and the auditor's responsibilities as well as their unqualified opinion. She discussed the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Ms. Steinhilber stated that there were no noted deficiencies in internal controls. No instances of non-compliance, or other matters that are required to be reported were found. The report was received as informational.

Chair Boozer stated that an RFP was issued on 12/15/2017 for financial auditing services due to the current contract with Jackson Thornton expiring on 7/31/2018. He said responses were received from Jackson Thornton and Carr, Riggs and Ingram and presented a spreadsheet that summarized the responses from each firm. The information regarding the two firms will be presented at the next board meeting for the selection of a financial auditor.

Chair Boozer called on Anita Kelley to present information regarding a petition from an account owner requesting a second change of beneficiary request on an account. Ms. Kelley provided a summary of the petition and stated that according to the program rules, section 7.01 states the benefits of a PACT contract may be transferred to an eligible substitute beneficiary once during the life of the contract. The petition will be presented at the next board meeting for decision.

Chair Boozer discussed the recent changes to 529 and 529A Savings Programs due to the *Tax Cuts and Jobs Act* passed by Congress on 12/22/2017. He stated that one of the changes to Section 529 of the IRS Code now includes K-12 expenses for tuition at public, private and religious schools up to \$10,000 a year. He said that Sen. Dick Brewbaker and Rep. Ken Johnson have sponsored bills to update the Alabama law to allow for these changes as well as language to give full financial powers to guardians in Alabama for ABLE purposes. The report was received as informational.

Chair Boozer stated the Statement of Economic Interest forms are due by 4/30/18.

There being no further business to be discussed, the meeting adjourned at 1:46 p.m.

Anita Kelley, Director

Young Boozer, Chair